

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA School of Business and Economics.

## Quidgest's Internationalization Plan to Norway

RAQUEL PASCOAL OLIVEIRA

Number 680

A Project carried out on the International Business course, under the supervision of:

Professor Sónia Dahab and Professor Filipe Castro Soeiro

June 4, 2012

## **1. Executive Summary**

As enterprises are becoming more globalized and businesses are getting more complex, it is crucial to have efficient software information management systems. Quidgest offers solutions that align these needs with customization and fast time to market and updating. Quidgest's internationalization strategy for Norway enables the company to acquire resources and increase its sales not only in this country but also to use Norway as a platform for internationalization to developing countries. Hence, with the establishment of a strategic alliance in Norway, Quidgest wants to improve its competencies in software for the public administration sector worldwide.

Key Words: Software information management systems; internationalization; Quidgest; Norway

## **2. Methodology**

I have made my research on articles and books for theoretical concepts and I also used internet to look for and gather current information about Norway and ERP market worldwide.

Also, I have had interviews with Quidgest's Senior Partner and the Business Manager for Nordic Countries that have provided me inside information about the company, its history and business strategy.

### **3. Description of the firm**

Quidgest is a Portuguese company founded in 1988 that operates in the ERP<sup>1</sup> market. It is characterized as an SME (Small and Medium Enterprise) and is in the software engineering segment with more than 200 different information systems.

Quidgest has an integrated system named *Genio*, which process of producing software is based on automatic generation of software code.<sup>2</sup>

With *Genio*, the firm offers solutions for clients both in private and public sector. For the latter the product that Quidgest develops is SINGAP<sup>3</sup> and for the former is the 1ERP<sup>4</sup> and Balanced Scorecard<sup>5</sup>.

The company has a multicultural team with eighty employees and twelve different nationalities and backgrounds and its headquarters are located in Lisbon.

Regarding Quidgests' total revenues, 80% come from national market (40% of public sector and 40% of private sector) and 20% come from the international one. Also, the company has shown an annual 2% growth rate in total revenues from 2005 to 2009. Nevertheless, in 2009 it has suffered a contraction that has continued for two years. This contraction was due to the economic and financial crisis that has been triggered worldwide. Hence, the growth rate from 2009 to 2011 was -5%, with turnover of 2, 91 million euros in 2011.

Quidgest has already won several awards of excellence regarding SME's in Portugal. It won PME "Líder" and PME "Excelência" 2009, 2010 and 2011.

The company has already started its internationalization process with solutions for public administration sector. It has developed, for instance, software for public

---

<sup>1</sup> Enterprise Resource Planning system is a crucial tool within an organization as integrates information required for an efficient business management.

<sup>2</sup> *Genio* is a mixture of two types of software: the packaging software and the fitting software

<sup>3</sup> Sistema Integrado para a Nova Gestão da Administração Pública

<sup>4</sup> It is an integrated system that covers all areas requested by the client that can go from logistics; human resources and customer relationship management; production and acquisitions management; workflow and document management to financial management and accounting

<sup>5</sup> It is a tool that allows to measure on real time goals' achievement

administration's human resources management in Timor Leste and a system to support the strategy of the 5 years' Development Plan for the Republic of San Salvador.

#### **4. Perspective on Business Mission, Vision and Strategic Objectives**

Regarding Quidgest's mission, the company wants to leave a mark and provide a positive contribution to every customer, partner and other stakeholder. It wants to be actively involved in the technological revolution of our time, as well as create an environment that encourages innovation and professional accomplishment of its employees.

As for its vision, Quidgest wants to be a strong reference as a custom built software supplier by 2017, with a strong orientation towards innovation.

As strategic objectives, Quidgest wants to reach at least 2% of annual growth rate by increasing the revenues from international business and retain 75% of actual clients.

#### **5. Market segmentation: Industry Map<sup>6</sup>**

It is important to have a solid base in the ERP industry, which is mostly supported by partnerships. These partnerships can be made with universities, members of Quidnet<sup>7</sup>, competing ERP providers and consulting firms. Also, partnerships are useful to establish contact with possible clients through their networking. Moreover, the target partners to do partnerships are the ones that know and work with technology (in case they provide one) and consider themselves to be "early adopters"<sup>8</sup>.

Regarding Quidgest's customers, they can be reached mainly by three ways: 1) Quidgest looks for projects and designs a proposal for the client's request; 2) Through networking provided by partnerships; 3) Through Quidgest's web page. Furthermore, Quidgest has a customer multi target approach and a wide portfolio of big and complex

---

<sup>6</sup> For more details, see *Appendix 1– Industry Map*

<sup>7</sup> Quidnet is an online platform where there is a networking of worldwide companies that work with *Genio* while developing their own projects.

<sup>8</sup> Regarding innovation, an early adopter is a concept that defines a person or entity that embraces technology at the initial stage, before that other people or companies do.

products sold from small to large enterprises. The company has a preference for the ones that consider software a nuclear issue for their business. Nevertheless, in what regards large companies, these ones are SAP and Oracle's clients, as they have mass production capability and due to their established recognition are usually the first option in what concerns information management systems. Hence, the non-risk adopters, only turn to smaller companies such as Quidgest when they are unsatisfied with solutions provided by companies like SAP and Oracle. The biggest advantage for Quidgest to do business in this segment is the ability to have higher revenues (large enterprises have higher purchasing power and spend more on information systems).

## **6. Competitive Analysis**

### **a) Market Attractiveness: External scanning**

In the enterprise software market worldwide in 2009 total revenues were about 226 billion dollars, which has increased 8,5% in 2010. This may be explained by an increasing solutions' portfolio of software vendors aligned with acquisitions of other software companies and going deeper into emerging markets (Gartner 2012).

Regarding the threat of entering new players in the market, we can consider that barriers to entry are low. This can be explained by the easy access to distribution channels that companies have and market attractiveness (Backbone 2012). Nevertheless, there is an important issue regarding risk aversion and brand awareness. This risk aversion (psychological market barrier) leads customers to look and trust companies/brands that have an already established reputation and reliability.<sup>9</sup>

The ERP market's structure has mainly a core of three international players – SAP, Oracle and Microsoft – that have 53% of market share (PANORAMA 2012).

---

<sup>9</sup> For more details on industry's analysis see *Appendix 2 – Industry's Porter's Five Forces Analysis*

Nevertheless, it is a fragmented market (not concentrated) as it has many players such as small and medium sized firms.<sup>10</sup>

In order to efficiently answer market's demand, ERP companies have to be reliable to capture and maintain its customer base. Moreover, they have to offer a product that suits the customer (fulfill its requirements and needs). And finally, companies have to be able to adjust the product to any necessary change.

## b) Quidgest's Internal Scanning

### Industry Matrix

The most relevant factors in this market are the ability to have fast and efficient product update and maintenance, in order to keep up with customers' requirements and company's reputation (client's perception about the company).<sup>11</sup>

Key Success Factors	Weight	SAP		EPICOR		SYSPRO		QUIDGEST	
		Rating	Total	Rating	Total	Rating	Total	Rating	Total
Reputation	0,19	4	0,76	3,5	0,665	3	0,57	3	0,57
Brand awareness	0,125	5	0,625	4	0,5	2,5	0,3125	1	0,125
Clients' retention capability	0,13	3,5	0,455	4	0,52	3,5	0,455	3,5	0,455
Strategic alliances	0,05	3	0,15	3,5	0,175	3,5	0,175	4	0,2
Customization ability Focus on business processes and clients' requirements	0,1	3	0,3	3,5	0,35	5	0,5	5	0,5
Updating and Maintenance	0,225	3,5	0,7875	3	0,675	3,5	0,7875	4,5	1,0125
CRM	0,08	3	0,24	4	0,32	4	0,32	4	0,32
Time to market Quick time of production and implementation	0,1	4,5	0,45	3	0,3	3,5	0,35	4	0,4
<b>Total</b>	<b>1</b>		<b>3,7675</b>		<b>3,505</b>		<b>3,47</b>		<b>3,5825</b>

(Source: Group compilation)

**Tabel 1 – Global ERP Industry Matrix**

### Competitive Advantage

Regarding Quidgest's competitive advantage, it is the flexibility and fast product delivery (with quick implementation) provided by the integrated system *Genio* with its automatic generation of software code. Regarding the costs and when compared to the

<sup>10</sup> For more details about competition see *Appendix 3 - ERP Industry's Competitive Assessment*

<sup>11</sup> The weights given were based on assumptions from perception regarding the market and competitors' competitive advantages

manual process, this technique is more cost-effective, as it takes less time to market (from development, prototyping and testing to production and implementation) and fewer resources (such as human resources). Therefore, the company believes that it has cost savings when compared to other custom made enterprises.<sup>12</sup>

Moreover, the system allows the company to produce modules, which are specific solutions that can be integrated in a more complex solution. Hence, modules' production is a good and cheaper way to create loyalty among customers as it generates specific solutions for specific requirements (customization) which creates value.

Therefore, this customization allows the company to position itself in the market with a differentiation advantage (the opposite of the "one-size-fits-all" approach – standardized products).

Regarding the VRIO framework analysis, *Genio* can be considered a sustainable competitive advantage as it is valuable (the process is more efficient compared to the manual one), rare (not common as the industry provides mainly standard solutions) costly to imitate (it is hard to copy due to constant updating and upgrading) and organized (allows all the company activities to be organized and creates value).

Also, the company shows strengths concerning its organization's culture. There is an informal and flexible work environment with a multicultural team. These characteristics foster creativity, flexibility and cooperation among the collaborators.

### **Value chain**

After assessing a company's distinctive competencies and its positioning, we can study which activities lead to value creation through the value chain. In Quidgest, the primary activities are Marketing and Sales (10%), R&D (20%), Operations (35%), After Sales

---

<sup>12</sup> Due to SAP's fast product delivery, as it offers standardized products, Quidgest's advantage of quick time to market is more relevant in updating (Quidgest has a clear advantage when answering to new requests for updates).

Services (5%) and the support activities are Firm's Infrastructure (20%) and HRM (8%).<sup>13</sup> To explain the value chain, I have to describe the overall production process.

The process starts with the client's requirements for a solution for which the company designs a proposal. Only after that, the manufacturing process begins (the operations come after the marketing and sales). Depending on the type of client's requests, the process can be designed as a product or project. In the case of a product, there is only 20% of R&D as the base of the product is almost developed and Quidgest only uses the requirements at the final stage, shaping the product accordingly to specific client's characteristics. For a project, there is 80% of R&D as the company starts designing the software almost from scratch.<sup>14</sup> In the end, Quidgest installs the final product and gives training to the client on how to perform it.<sup>15</sup>

In what concerns the after sales services it consists mainly in updating the software, technical support and training the staff to execute it properly.

## **7. Criteria for country selection**

There are basically three motives for a firm to internationalize: sales expansion, resources acquisition and risk minimization. In the case of Quidgest, the company wants to expand its sales and increase its revenues, also creating a reputation in international markets. Moreover, by spreading its business, the firm can acquire resources of foreign markets and incorporate inputs in its strategy and product while having a trade of know-how (R&D and local knowledge) with local partners, clients, suppliers and learning good practices from competitors.

In the case of Norway, this country represents a platform that will allow Quidgest to spread its business worldwide, more specifically for developing countries, through

---

<sup>13</sup> For Value's Chain visualization see *Appendix 4 – Quidgest's Value Chain*

<sup>14</sup> In both processes it starts with planning and then testing, after testing it is shown to the client, the client gives its feedback and the product returns to the company to be changed if needed (this stage is repeated until the client is satisfied).

<sup>15</sup> The overall production process usually takes one to four months.



partnerships with Norwegian companies. This can be explained by the fact that Norway is one of the leading countries that support and fund initiatives to foster growth and development in developing countries. Also, it is a country with vast experience in health sector, social solidarity and public administration sector. The latter is the most significant for Quidgest and the one in which the company wants to focus. Therefore, the willing to internationalize to Norway fits the overall strategy of the firm.

### **Pest Analysis**

With a PEST Analysis I can assess the operating environment in Norway through a scan of external macroeconomic factors such as political, economic, social and technological aspects.<sup>16</sup>

Norway is the number one country in the Human Development Index<sup>17</sup> in 2011's Human Development Report (Human Development Report 2011 2012). Moreover, still in 2011 it was ranked second in "Commitment to Development Index" (Center for Global Development 2012) which scores the richest countries that contribute for the development of the poorest.<sup>18</sup> Also, Norway is one of the most developed countries worldwide and ranks number 8 as the best country for doing business according to Forbes (Forbes.com 2012). In 2011, its real growth GDP was 1,6%, the inflation rate 1,4% and employment rate was 3,3% (Aicep Portugal Global 2012). The country shows technological and intellectual development, as 90% of population speaks English and in 2010, 82,6% of households had broadband access (including wireless and cable) (Statistics Norway 2012).

---

<sup>16</sup> For detailed information about Norway's PEST Analysis see *Additional Appendixes: Appendix 8 – Norway's Pest Analysis*

<sup>17</sup> The Human Development Index is a comparative measure that takes into account each country's level of education, literacy, living standards and life expectancy.

<sup>18</sup> The contribution can be made through: aid, trade, investment, migration, environment, security and technology.

In what regards Norwegian consumer profile, Norwegians are considered patriotic and nationalists. Nevertheless, they are very interested in new products and trends (such as technological and innovative applications). Despite they are opened to foreign technologies, they want domestic consulting firms to deal with in order to have a more familiarized vision of their businesses. This characteristic makes it difficult for Norwegian companies to offshore certain services such as customer support (which is an important issue in IT's internationalization process as it is a way to cut costs) (Andersen 2011). Moreover, Norwegians have high purchasing power and are willing to pay for quality. Therefore, they are not very price-sensitive (SME Toolkit Build Your Business 2012).<sup>19</sup>

The establishment of partnerships is advantageous in Norway while doing business. This is due to the possible lack of competences or capabilities that a vendor may have, needing resources from its partner and also, because customers are risk averse and prefer to depend on more than one vendor (Andersen 2011). Therefore, Quidgest as an innovative company can see in Norway an opportunity to operate and develop its technology, incorporating inputs and satisfying customers' needs for technological developed products.

## **8. Norway's Competitive Analysis**

### **a) Market attractiveness: external scanning**

#### **Norwegian IT Industry**

In 2008, there were about 80000 people working in the Norwegian ICT Industry (about 43000 in IT) and revenues were about 31 billion euros (NOK240b)<sup>20</sup>, making it the second largest industry in the country, after petroleum (Andersen 2011).<sup>21</sup>

---

<sup>19</sup> The business environment and social relationships are informal and based on mutual trust relationship.

<sup>20</sup> 240 billion Norwegian Krone

<sup>21</sup> It is mainly located in Oslo and its surroundings

The knowledge in IT industry comes from three main sources: academic research, the *technology providers* (companies that provide information technology developed by their own operations and focus in the product's functionality) and the *service providers* (companies that take foreign technology and adapt it making it available for Norwegian consumers). The latter act as consulting companies that help customers to envision, develop, manage and maintain information systems and solve problems associated to it.<sup>22</sup> The technology providers sell hardware or software to customers. Nevertheless, most companies incorporate both activities (technology development and consulting). By narrowing the research to the software market, its revenues were about 1,115 billion euros (NOK8,647b) in 2009 with an expected market growth rate of 5,1% until 2014. Also, regarding the annual value of investment in software in Norway, in 2006 it was estimated to be 1,028 billion euros (NOK7, 747b) (Andersen 2011).

As for the competition in IT market, it can be structured in five groups of companies. The first two are related to large service enterprises (Accenture, EVRY, IBM, Logica) and large technology integrators (IBM, Microsoft, Apple, Oracle, Cisco and Hewlett Packard). There are also Norwegian companies that are focused in selling its technology and services abroad (Opera, Trolltech, Unit 4 Agresso AS) and the ones that are only focused in the Norwegian market (Visma, Questback, SuperOffice). Finally, there are the smaller Norwegian companies that are mainly focused in the domestic market (Acos, First Consulting) (Andersen 2011).

As Quidgest is mostly interested in the public sector, in *Table 2 – Norway's Competitive Assessment* there is a competitive assessment towards the enterprises that operate in this specific sector.

---

<sup>22</sup> As software specifications have developed, it has increased a need for configuring software packages and to adapt. Therefore, there has been a consistent growth for consulting companies.

Competitive assessment Norway	Solutions	Sector	Type product	Size: # offices, #employees	Rev. 2011
<b>QUIDGEST</b>	ERP	Public & private	customized	5 offices, 80 employees	2.91 million €
<b>EVERY</b>	ERP & CRM	Public & private	Standard	135 offices in 16 countries, 10000 employees	n.a.
<b>Unit 4 Agresso AS</b>	ERP & CRM	Public & private	Standard	4230 employees	454,7 million €
<b>Acos</b>	CMS and CRM	Public & private	Standard	2 offices, 100 employees	n.a.

(Source: personal compilation)

**Tabel 2 – Norway's Competitive Assessment**

### **b) Quidgest's Internal Scanning for Norway**

Quidgest wants to offer in the Norwegian market a fast, flexible, customized and efficient automatically generated ERP solution. In public administration sector costs are an important issue so budgets have to be studied carefully. Usually the solutions chosen by public administration are standard cheap solutions, so spending does not have to be justified. Nevertheless, public sector is not a uniform institution as there are specific business requirements towards each public department. Therefore, there is a need to have specific solutions that have quick time-to-market and fit the organization, and not the opposite. These specific solutions are the modules and due to *Genio* they can be quickly designed, aligning customization with low costs in maintenance. This is a way to capitalize know-how and due to *Genio's* capability to incorporate quickly new information and knowledge, updating is also a fast process.

## Industry Matrix

The weights in Norway's Industry Matrix (*Table 3 – Norway's Industry Matrix*) are different from the ones defined for Global ERP Industry Matrix<sup>23</sup> as they vary according to specific country's market's structure and the type of rivalry.<sup>24</sup>

Key Success Factors	Weight	EVERY		Unit 4 Agresso AS		Acos		QUIDGEST	
		Rating	Total	Rating	Total	Rating	Total	Rating	Total
Reputation	0,19	4	0,76	4	0,76	3,5	0,665	3	0,57
Networking	0,225	4	0,9	4	0,9	3,5	0,7875	2,5	0,5625
Strategic alliances	0,05	4	0,2	3,5	0,175	4	0,2	3	0,15
Customization ability Focus on business processes and clients' requirements	0,1	3	0,3	3	0,3	3	0,3	5	0,5
Updating and Maintenance	0,225	4	0,9	3,5	0,7875	3,5	0,7875	4	0,9
CRM	0,08	4	0,32	3	0,24	4	0,32	3	0,24
Time to market Quick time of production and implementation	0,13	3,5	0,455	3	0,39	3,5	0,455	4,5	0,585
<b>Total</b>	<b>1</b>		<b>3,835</b>		<b>3,5525</b>		<b>3,515</b>		<b>3,5075</b>

(Source: personal compilation)

**Tabel 3 – Norway's Industry Matrix**

In Norway, as it is a competitive market, ERP vendors need to be able to provide products and services in a short amount of time. Also, it is important to have a good reputation in order to be appealing for clients and networking to find interesting projects and attractive partnerships. Through the assessment of the Industry Matrix in Norway by comparing Quidgest with EVERY, Unit 4 Agresso AS and Acos, I can see that Quidgest has weaknesses concerning the key success factors referred above. Regarding product's updating and maintenance, Quidgest is a strong company due to its competitive advantage. Nevertheless, as it is a foreign market the company needs support to establish its own networking. For this matter, local companies can be a useful option in order to create strategic alliances (in which the other three companies have

<sup>23</sup> See *Table 1 – Global ERP Industry Matrix*

<sup>24</sup> The weights given in *Table 3 – Norway's Industry Matrix* are based on personal perception of Norwegian ERP market

advantages in the local market) and to start building its reputation abroad (one of its weakest success factors).<sup>25</sup>

## **9. Mode of Entry**

### **Mode of entry: Literature review**

There is wide literature regarding internationalization of small and medium enterprises. Moreover, several theories have been created to explain different strategies and steps that companies take on their internationalization path.

One of the most discussed ones is the dynamic *Uppsala* theory. This states that the internationalization process has multi incremental stages, where firms go to psychological closer foreign markets and assemble its resources and capabilities (accumulating know-how) in order to operate efficiently. They start with indirect methods, such as exporting or establishing contact with trading companies. Thereafter, they go to more distant markets and apply direct methods, such as distribution and sales offices. The last stage considered is the so-called foreign direct investment, which reduces transaction costs (Kamakura, Ramón-Jerónimo & Gravel 2011).

Nonetheless, this theory has been gaining opposition by authors that defend more complex processes. For instance, companies may not follow the standard and sequential path as they can start by the last phase or even skip steps. Also, they can differentiate their internationalization strategy according to a country's business or market specificity. In fact, some firms can have different modes of entry working simultaneously in multiple markets (Kamakura, Ramón-Jerónimo & Gravel 2011).

As an addition to the *Uppsala* theory, in (Johnason and Vahlne 2009), partnerships have been taking into account, as a good networking base that provides deeper local knowledge which can be seen as a competitive advantage. Actually, in (Sharma and

---

<sup>25</sup> In *Appendix 5 - Norway's SWOT Analysis* there is a summary of country's market analysis and Quidgest's internal scanning.

Johanson 1987), high technology companies internationalize with a networking of companies already established that are useful when going abroad.

These types of theories are mainly applied to manufacturing industries and not so much to services. In fact, the process of internationalization of knowledge-based firms<sup>26</sup> is considered to be quicker than the manufacturing ones.

Moreover, in (Ojala 2008) eight Finish software firms were studied regarding its mode of entry in Japan. Due to the product's nature, they had to hire local sales people and managers with local market knowledge. So, the usual initial approach to foreign markets (such as direct exports) may not be efficiently applied to a product such as software.

In collaborative ventures, if partners are motivated and it is a win-win situation there is a reduction in opportunistic behavior. This way, the issue of lack of software's protection is somehow solved as the relationship between partners is based on mutual trust (Spence et al., 2008).

### **Mode of entry: Advantages and disadvantages**

I will take into consideration licensing, exporting and alliances. Foreign Direct Investment (FDI) is not a useful option as the company has no market knowledge and financial resources. Moreover, there are not incentives from the Norwegian government for foreign owned companies to have totally owned firms (Welch, Benito & Peterson 2007a).

By assessing the characteristics, advantages and disadvantages of several modes of entry, it is easier to decide which one is more suitable for Quidgest.<sup>27</sup>

Quidgest wants to have foreign market access and expansion, with increasing networking and risk/uncertain reduction. The company should not go through exporting

---

<sup>26</sup> Knowledge-based firms are the ones that consider knowledge as the most significant resource.

<sup>27</sup> For more details see *Appendix 6 - Mode of entry: Advantages and disadvantages*

as it does not have enough infrastructure and sales staff. Moreover, customized software is a product that requires closer contact with customers.

In case of joint-venture, the one that can interest Quidgest and a possible Norwegian partner, is the one in which a new company is created with part ownership with the purpose of market penetration. Nevertheless, Quidgest weakness is the lack of brand awareness and this one is not solved with the creation of a new unknown company.

Therefore, the best option for Quidgest is to make a non equity strategic alliance in order to create reputation and brand awareness.<sup>28</sup> The company should opt to do the alliance with a Norwegian similar company (in size and revenues) that operates in the ERP market. This way, through an alliance each company can focus and specialize on its own capabilities, reducing gaps and increasing business/product efficiency (companies complement each other). Also, Quidgest can use this alliance to test the product, in order to have feedback and have constant upgrading, capitalizing know-how. It may not make sense to have an agreement with a large company, as it will not have the same commitment as a smaller one (Welch, Benito & Peterson 2007b).

#### **10. Proposal of Implementation Plan**

The company has already signed a contract in April with Acos in order to have a non equity strategic alliance. The contact with this company was made through Quidgest's Business Manager for Nordic Countries due to its networking towards Acos' management board and common interests towards internationalization (use Norway as a platform for internationalization to developing countries). In the alliance each company has a set of responsibilities and it is based on a percentage return. In order to control technology leakage (as there are no patents), Quidgest has contractual clauses to punish any deviation to what was settled, reinforcing intellectual property rights.

---

<sup>28</sup> For detailed explanation about the strategic alliance see 10. Proposal for Implementation



Acos was created in 1997 and works mainly in two areas: Online document's management from MS Outlook with different interfaces; and web solutions with portals where the information flow is managed (mostly concerning health and social sectors). The company has offices in Oslo, Bergen and Stavanger. Also, it operates mainly in the public sector as from its 350 clients, 55% are municipalities, 35% is part of public administration and 10% private companies.

Hence, Acos with its networking and local knowledge will approach and attract clients. With the technology and know-how provided by Quidgest, there will be a team with employees from both companies that will design and implement the ERP solutions for the client and be responsible for maintenance and customer support. Moreover, Acos' employees will be trained in an early stage, in order to understand and work correctly with *Genio*.

For Acos, the alliance can be an opportunity to cut costs in R&D and have access to resources that allows the company to answer solicitations that in other way would not be possible. Also, by taking advantage of Quidgest's competitive advantage with *Genio* and previous internationalization experience, Acos will start its internationalization process.

Even though the contract is already signed there has not been chosen the Portuguese team to be sent. After choosing the latter, the team will have training in order to train Acos' employees. Therefore, this process should be finished by latest June, so team will only go to Norway in the beginning of July.<sup>29</sup>

The company needs to be internally prepared for internationalization to Norway. Therefore, there are dimensions that are fundamental in this process. One is the learning

---

<sup>29</sup> For information on the overall process' costs see *Appendix 7 – Estimated Costs for Implementation Plan*

dimension process that will be altered due to the establishment of strategic alliances and the knowledge incorporated from it.

Strategic Theme	Objectives	Measurement	Target	Initiative
<b>Financial</b>	Expand sales; Attract clients	Sales revenues; sales volume; number of clients	10% of total revenues in 2 years of Quidgest come from Norway, and 30% in 3 years	Strategic alliances with native companies to acquire local knowledge and networking
<b>Customer</b>	Increase customer satisfaction; Establish a good reputation as ERP provider	Customer retention rate; Satisfaction rate	Achieve a customer retention rate of 75% ;	Workshops provided by Quidgest; Demonstrations; Questionnaires to actual clients and potential clients;
<b>Internal</b>	Create network; Establish strategic alliances	Number of projects got with strategic alliances	Have 2 projects in Norway in the first year and one international from there	Increase networking (through strategic alliances, LinkedIn, Quidnet)
<b>Learning</b>	Increase company's learning curve with new competencies got in Norway; develop technology	Number of new modules developed per year; time of implementation	Improve written technical knowledge and knowledge of local market	Design new modules quicker and efficiently

**Table 4 – Measures of implementation and monitoring**

The Processes Matrix<sup>30</sup> sets a relationship between the industry's critical success factors and value chain's processes. Regarding the latter, Quidgest will only take to the target market the operations (the process of designing the solution with the partner and implementing it) and after sales services (updating and maintenance of the solution). Nevertheless, even though R&D is made in-house it cannot be detached from the other business processes as they are interrelated.<sup>31</sup>

<sup>30</sup> See Table 5 – Processes Matrix

<sup>31</sup> The ability to have flexible technological updating is essential in the processes' interaction, as for instance, if a client is not yet satisfied with the final product and wants to incorporate another request in the solution, there may be a need to develop a new module or application in-house (R&D), followed by operations and sales services.

	Critical Success Factors	Quick time to market	Cost of the solution	Technological Updating	Reputation/ Brand awareness	Level of customization	Strategic alliances/ Networking	Total of impacts	Quality of the process	Spender Process
Business processes										
Operations		X	X	X		X	X	5	B	X
After sales services				X	X		X	3	C	
R&D		X	X	X		X		4	B	

Tabel 5 – Processes matrix

## 11. Conclusions e Recommendations

There are some risks inherent the internationalization and implementation plan. One of them is the fact that Quidgest may not be on time for public bidding and therefore, lose business opportunities. So, it is fundamental to be always ahead of competition and be aware of new initiatives. Also, partnerships are a Quidgest's business model support, as the company depends on the commercial ability and networking of its partner. Therefore, the alliance has to be a win-win situation for both companies with a relationship of mutual trust.

In what concerns implementation there may occur problems related to business processes taken to Norway (processes matrix). In order to overcome these issues, the company has to ensure an in-house R&D development line that as to be aligned with target market operations (prototyping, testing, production and implementation) and updating. Also, as operations are the most spender process<sup>32</sup>, the company has to develop it efficiently and capitalize know-how with, for instance, the creation of new

<sup>32</sup> Which can be assessed in the *Table 5 - Processes Matrix*

modules. Finally, regarding after sales services, Quidgest has to be fast when answering clients' needs supported by a flowing customer communication channel and efficient training ability.

After the analysis I have made through my work project I can conclude that Quidgest has competences and is able to establish a strategic alliance in order to increase its business. This conclusion is also supported by the strategy taken in this case, in which Norway is a bridge between Quidgest and developing countries.

## **References:**

### **Interviews:**

Carvalho, João Paulo. Senior Partner of Quidgest

1<sup>st</sup> interview: February 17, 2012; 2<sup>nd</sup> interview: March 16, 2012; 3<sup>rd</sup> interview: April 6, 2012

Laíns, Manuel. Business Manager Nordic Countries of Quidgest

1<sup>st</sup> interview: February 17, 2012, 2<sup>nd</sup> interview: May 14, 2012

Soeiro, Filipe Castro and Dahab, Sónia. Professors of NOVA School of Business and Economics

Several meetings since January 22, 2012 until May 29, 2012

### **Journal Articles:**

Johanson, J., & Vahlne, J.-E. 2009. "The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership." *Journal of International Business Studies*, 40, 1411–1431.

Kamakura, W. A., Ramón-Jerónimo, M. A. & Gravel, J. D. V. 2011. "A dynamic perspective to the internationalization of small-medium enterprises". *Journal of Academy of Marketing Science*, 40:236–251

Ojala, A. 2008. "Entry in a psychically distant market: Finnish small and medium-sized software firms in Japan." *European Management Journal*, 26(2), 135–144

Sharma, D. D., & Johanson, J. 1987. "Technical consultancy in internationalization". *International Marketing Review*, 4(4), 20–29.

Spence, M., Manning, L. M., Crick, D. 2008. "An investigation into the use of collaborative ventures in the internationalization of high performing Canadian SMEs" *European Management Journal*, 26 (6), 412–428

### **Books:**

#### **a) Book section**

Welch, L.S., Benito, G.R.G, Petersen, B. 2007a. "Modes of Operation: Foreign Direct Investment" In *Foreign Operation Methods Theory, Analysis, Strategy*, 315-358. Cheltenham, UK: Edward Elgar

Welch, L.S., Benito, G.R.G, Petersen, B. 2007b. "Modes of Operation: Alliances" In *Foreign Operation Methods Theory, Analysis, Strategy*, 273-314. Cheltenham, UK: Edward Elgar

### **Reports:**

Andersen, Espen.2011.”Knowledge-based IT & software”. *Research report 9/2011*  
[http://web.bi.no/forskning/papers.nsf/b63c43a0385ff61dc1256e620043c6b0/c0d2b5ba9e15c41ac1257904002d864c/\\$FILE/2011-09-Andersen.pdf](http://web.bi.no/forskning/papers.nsf/b63c43a0385ff61dc1256e620043c6b0/c0d2b5ba9e15c41ac1257904002d864c/$FILE/2011-09-Andersen.pdf)

PANORAMA Consulting Group.2011. “2011 GUIDE TO ERP SYSTEMS AND VENDORS” <http://panorama-consulting.com/Documents/2011-Guide-to-ERP-Systems-and-Vendors.pdf>

Human Development Report 2011. 2012. United Nations.  
<http://hdr.undp.org/en/media/PR2-HDI-2011HDR-English.pdf>

### **Theses:**

Duarte, Pedro.2011. “Internationalization Strategy of *Quidgest*’s ERP in the French Market”. Masters Thesis. NOVA School of Business and Economics

Matas, Paulino. 2011. “QUIDGEST’S INTERNATIONALIZATION STRATEGIC PLAN FOR CANADA”. Masters thesis. NOVA School of Business and Economics

### **Websites**

Aicep Portugal Global.2012.AICEP.  
<http://www.portugalglobal.pt/PT/Internacionalizar/Paginas/MercadosExternos.aspx?marketId=92> (accessed March 11, 2012)

Backbone.2012.Backbone. <http://www.backbonemag.com/Backblog/top-ten-predictions-for-erp-in-2012.aspx> (accessed March 20, 2012)

Center for Global Development.2012.Center for Global Development.  
<http://www.cgdev.org/section/initiatives/active/cdi/> (accessed May 14, 2012)

Forbes.com.2012.Forbes. <http://www.forbes.com/lists/2011/6/best-countries-11-Norway-CHI014.html> (accessed April 1, 2012)

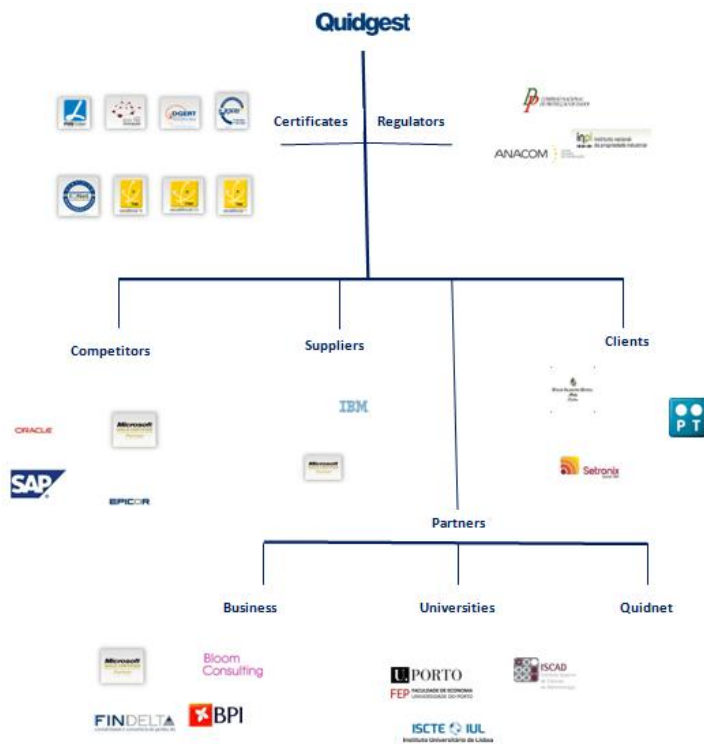
Gartner.2012.Gartner. <http://www.gartner.com/it/page.jsp?id=1668214> (accessed March 20, 2012)

SME Toolkit Build Your Business.2012.SME Toolkit.  
<http://www.smetoolkit.org/smetoolkit/en/content/en/7458/Norway-selling> (accessed April 5, 2012)

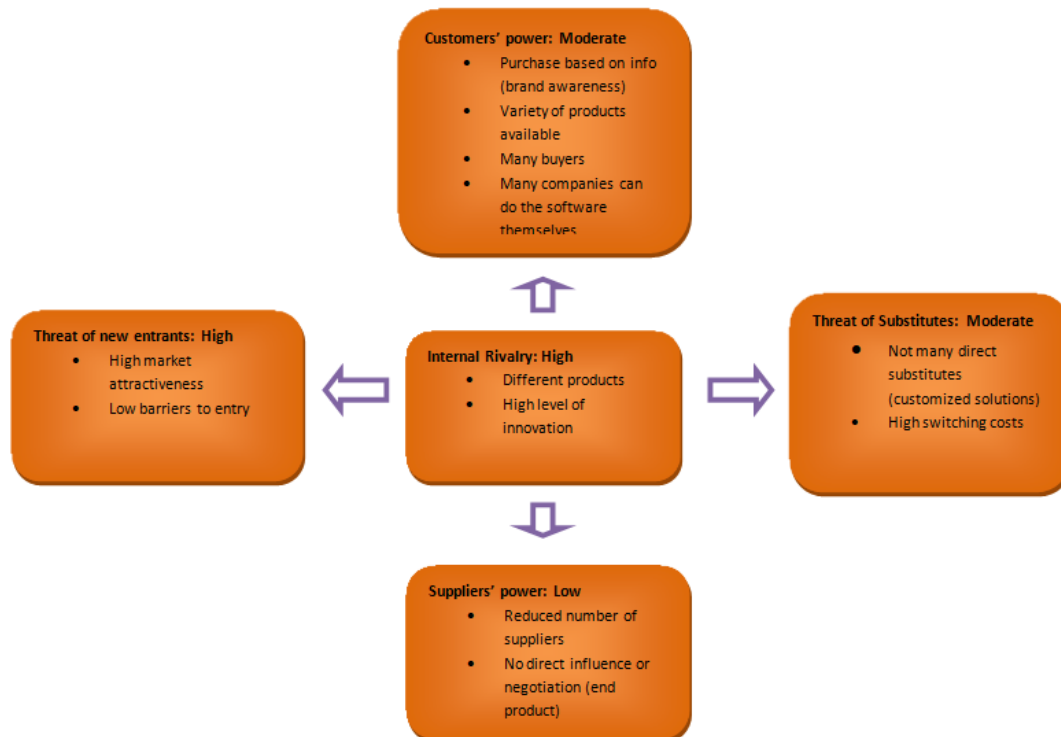
Statistics Norway.2012.Statistics Norway [http://www.ssb.no/fou\\_en](http://www.ssb.no/fou_en) (accessed April 2, 2012)

## Appendices:

### Appendix 1: Industry Map



### Appendix 2: Industry's Porter Five Force's Analysis

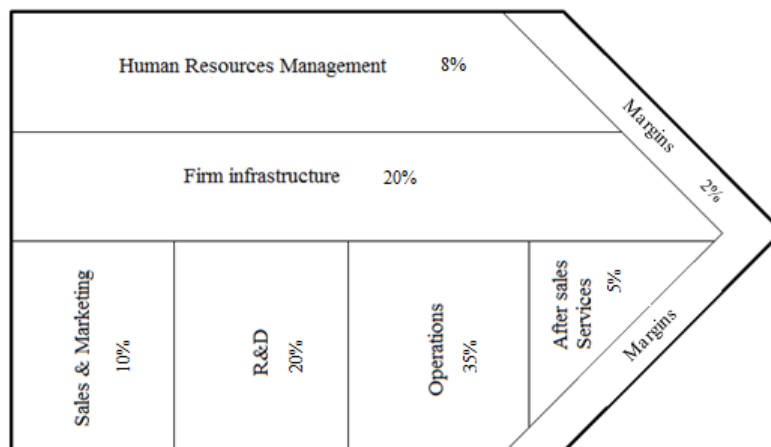


### Appendix 3: ERP Industry's Competitive Assessment

Competitive assessment #1		Complexity	Cost of ownership	Clients targeted	Type product	Size: # offices, #employees	Rev. 2011	Growth rate 2010/2011
QUIDGEST		High	Medium	Largest ERP companies	customized	5 offices, 80 employees	2.91 million €	- 7%
	SAP	High	Highest	Largest ERP companies	Standard and customized	Offices in 50 countries, 55,765	14,2 billion €	14%
	Microsoft	High	Highest	Largest ERP companies	Standard and customized	150 offices worldwide, 90,412	69,94 billion \$	4,67%
	Oracle	High	Highest	Largest ERP companies	Standard and customized	Offices in 145 countries, 180,000	35,6 billion \$	19%
	Sage	Medium	Medium	Medium	Standard and customized	Offices in 23 countries, 12,300	1.334 million £	- 0,07%
	EPICOR	Medium	Medium	Medium	Standard	Offices in 150 countries, 4000	804,2 million \$	31%
	Syspro	Limited	Lowest	smaller	customized	14 500 offices worldwide, 350	65 million \$	8%
	ABAS	Limited	Lowest	smaller	standard	Around 600 employees	600 million €	n.a

(Source: companies' websites and group compilation)

### Appendix 4: Quidgest's Value Chain



(Source:Quidgest)



## Appendix 5: Norway's SWOT Analysis

<b><u>Strengths:</u></b> <ul style="list-style-type: none"> <li>-Competitive advantage</li> <li>-Flexibility of the company/independence given to employees</li> <li>-Experience in public administration sector</li> <li>-Business contacts in Norway</li> </ul>	<b><u>Weaknesses:</u></b> <ul style="list-style-type: none"> <li>-Small Portuguese company with lack of brand awareness and no reputation</li> <li>-Lack of access to distribution channels</li> <li>-No patent protection</li> </ul>
<b><u>Opportunities:</u></b> <ul style="list-style-type: none"> <li>-Growth of 4,8% of ERP market in 2010-2014 and in 2009 ERP applications had 31,6% of the enterprise applications market(*)</li> <li>-90% of population speaks English</li> <li>-High cost of local labor which represents an opportunity for outsourcing technology to Quidgest</li> <li>-Favorable consumer behavior towards technology consumption with evenly wealth distribution</li> <li>-Norway produces mostly raw materials and semi-manufactured products which leads to many products' imports (including technology)</li> <li>-Norway is a developed country that has established a strong reputation and trust image</li> <li>-The country is known for development and growth aid for developing countries</li> </ul>	<b><u>Threats:</u></b> <ul style="list-style-type: none"> <li>-ERP industry in Norway is more competitive and developed when compared to Portugal</li> <li>-IT Industry has high internal rivalry (big players already established in the market)</li> <li>-Unattractive cost to export which requires more productivity for products/services</li> <li>-In Nordic Europe, businesses are made mostly between Scandinavian countries</li> </ul>

(\*)(Source: <http://www.marketresearch.com/Datamonitor-v72/Enterprise-Applications-Forecast-Norway-6387653/>)

## Appendix 6- Mode of entry: Advantages and disadvantages

	Licensing	Exporting	Joint-venture	Non Equity Strategic-Alliance
<b>Advantages</b>	<ul style="list-style-type: none"> <li>-Low risk and low commitment</li> <li>-Used to constraint technology leakage in a joint venture</li> </ul>	<ul style="list-style-type: none"> <li>-Easy and low cost/low financial risk when compared with direct forms</li> <li>-Direct export: Own control in policy implementation</li> </ul>	<ul style="list-style-type: none"> <li>-New company has competitive advantages of both firms</li> <li>-Reduces internal factors' gaps</li> </ul>	<ul style="list-style-type: none"> <li>-No capital investment</li> <li>-Allows to build a reputation through a partnership</li> <li>-Networking of local company</li> <li>-Reduces internal factors' gaps</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>-The firm who had the license can become a competitor</li> <li>-Firms may not respect contracts or pay the agreed fees</li> </ul>	<ul style="list-style-type: none"> <li>-Indirect export: Dependence in a third party and misleading in trading information</li> </ul>	<ul style="list-style-type: none"> <li>-Need for capital investment</li> <li>-New company with lack of brand awareness</li> <li>-Language and cultural differences</li> <li>-Shared control in strategy and decisions</li> <li>-Possible leakages concerning know-how and technology</li> </ul>	<ul style="list-style-type: none"> <li>-Language and cultural differences</li> <li>-Possible leakages concerning know-how and technology</li> <li>-Issues in partners relationships' management</li> </ul>

(Source: (Welch, Benito & Petersen 2007))

## Appendix 7 – Estimated Costs for Implementation Plan<sup>33</sup>

Category	Number	Monthly cost/unit cost (average in €)	Months	Subtotal cost
<b>HR</b>				
Software Developer	2	1650	3	9900
Business Manager	1	2650	3	7950
<b>Logistics</b>				
Flights Lisbon-Oslo	6 (2*3)	290,00	-	1740
Apartment Rent (2 people)	1	865,40	3	2596,2
Current expenses (electricity, water, etc)	1	171,53	3	514,59
<b>Equipment</b>				
PC's	3	1000	-	3000
<b>Estimated total cost (€)</b>				25700,79

<sup>33</sup> I took as assumption that the average monthly salary for a software developer is 1500€ and for business manager is 2500€. Also, there is 50€ per month for food related expenses per employee, so the average cost for HR is 1650 (1500+150) and 2650 (2500+150).

## **Additional appendices:**

### Appendix 8 – Norway's PEST Analysis

#### Political

The Kingdom of Norway (commonly known by Norway) is a European country with the capital city Oslo and has a constitutional monarchy with a parliamentary system of government. The actual government is a majority coalition of parties and the prime-minister is Jens Stoltenberg. The first constitution dates May 17<sup>th</sup> 1814 and the Chief of State is Harald V. Moreover, it is a unitary state divided in nineteen administrative counties.

It does not belong to European Union (EU) but is a founding member of European Free Trade Association (EFTA) and is also part of European Economic Area (EEA), which enables free circulation of goods, services, capital and people between EU members and Norway.

Regarding its legal system, the country has a Justice Supreme Court with 18 judges and a permanent chief of justice, an appealing court and district courts.

To create a company there has to be a commercial register in *Brønnøysund Register Centre* (responsible authority for registering in Norway).

#### Economic

Norway is considered one of the most developed countries and ranks number one in the Human Development Index<sup>34</sup> in 2011's Human Development Report.<sup>35</sup> Moreover, it ranks number eight as Best Country for Business<sup>36</sup> in a 134 countries list of 2011 by Forbes. In 2009 the Norwegian GDP real growth was -1,6% but it has increased 0,7% in

---

<sup>34</sup> The Human Development Index is a comparative measure that takes into account each country's education, literacy, standards of living and life expectancy.

<sup>35</sup> (Source: [http://hdr.undp.org/en/media/HDR\\_2011\\_EN\\_Tables.pdf](http://hdr.undp.org/en/media/HDR_2011_EN_Tables.pdf))

<sup>36</sup> This ranking has 11 factors in consideration: innovation, technology, taxes, level of corruption and freedom (monetary, trade and personal), stock market performance, property rights, red tape and investor protection.

2010 and 1,6% in 2011. The Norwegian currency is the Norwegian krone and the inflation rate in 2009 was (on average) 2,2%; 2,4% in 2010 and 1,4% in 2011 (the unemployment rate in 2010 was 3,3%).

This country's government has three main "sectors" in which it values the foreign investment: Petrol<sup>37</sup>, high-tech projects and projects to be developed in low demography regions (in order to attract skilled workers and increase demography). For internal taxes, the value added tax is 25% in imported and local products. For food products the tax is 14% and for transports, leisure, hotels the tax is 8%. Regarding income taxes, each person that works in Norway has a tax deduction card which has a validation of one year. This card is given to the employer for him to see how much he can deduct before paying the wage.<sup>38</sup> In the case of individual taxpayers, there is a pay-as-you-earn system. For corporations, their income have a charged tax of 28%, which includes 21,25% of national tax and 6,75% of municipal tax. Moreover, they have to contribute with 16,7% of paid wages to Social Security.<sup>39</sup>

### Social

Norway is a developed country with high variety in leisure activities offering. In January the population was 4 920 305 habitants and its density was 2,8 hab/km<sup>2</sup>.

The Norwegian individual is considered educated, very punctual, objective and rational but with informal behavior with strong concerns towards environmental issues. The official languages are Norwegian (in written forms: Bokmål and Nynorsk) and Sami (but only few people speak this language). Nevertheless, over 90% of the population speaks English.

---

<sup>37</sup> The export of petroleum is nearly half of the exportations sector and about 30% of the state revenue.

<sup>38</sup> (Source:

<http://www.skatteetaten.no/Upload/Brosjyrer%20og%20bok/Info%20til%20utenlandske%20arbeidstaker%20Om%20skatt%20skattekort%20og%20selvangivelsen%20Engelsk.pdf>)

<sup>39</sup> (Source: <http://www.nationsencyclopedia.com/Europe/Norway-TAXATION.html>)

### Technological<sup>40</sup>

Regarding Norway's total R&D costs in 2010, they were about 42,8 billion NOK<sup>41</sup> (around 1,7% of the gross national product). The European Union's average in 2010 was about 2%. In the R&D industry in 2010, 65% of employees have a higher education and 7% a PhD. When assessing the level of R&D in enterprises from 2008 to 2010, the larger were more innovative than the smaller ones (59% compared to 27%). From 2008 to 2012, in the manufacturing sector 35% of the companies were considered innovative compared to 30% in service industries. Moreover, in 2010, 82,6% of households have broadband access (including wireless and cable).

### Geographic:

The Kingdom of Norway has a total area of 385.155 km<sup>2</sup> and the major cities are Oslo (575.475 habitants), Bergen (252.051), Trondheim (168.257), Stavanger (121.610), Baerum (109.700), Kristianstad (80.109), Fredrikstad (72.760), Tromsø (66.513), Sandnes (63.431) and Drammen (61.405). Regarding the climate, the lands near capital city Oslo have hot summers but very cold winters (there are some winter days with only three hours of sun). Moreover, the country has several natural resources: petrol, fishing, hydropower, forests and minerals.

## Appendix 9 – Information on Norway's ERP competitors

Visma was created in 1996 and offers customized ERP and CRM solutions for several industries. The company has a focused strategy as its purpose is to continue acquiring, selling software and services to mid and large enterprises but staying at the same geographical region (Nordic Countries, the Netherlands and Romania).

---

<sup>40</sup>(Source: [http://www.ssb.no/fou\\_en/](http://www.ssb.no/fou_en/))

<sup>41</sup> Norwegian Krone

Mamut was created in 2000 and sells nowadays ERP and CRM solutions at a low price to individual consumers or to medium-sized businesses. Its competitive advantage is the long and close customer relationship. Since 2010, the company is converting the software into software as a service (SaaS).

SuperOffice was created in 1989 with the goal of creating “software for people”. That is, to empower an individual or company of any size to create its own business supported by a strong and efficient customer relationship.

Unit 4 Agresso AS is a Norwegian company created in 1991 but the software has started to being developed in 1983. Through a partnership with Edb ErgoGroup ASA in October of 2011, six municipalities in northern Norway have chosen cloud-based Agresso Business World ERP solution.<sup>42</sup> This solution is used by more than 180 Norwegian municipalities.

Edb ErgoGroup ASA is a Norwegian company created in 2010 after a merger between EDB and ErgoGroup and supplies several services regarding operations, online banking and outsourcing. It has 135 offices in 16 countries and 10000 employees. The company has changed name this year to EVRY.<sup>43</sup>

Software Innovation is a Scandinavian company created in 1987 and is a supplier of information, document and case management software. They offer standardized solutions based in Microsoft SharePoint and Office for private and public institutions.

---

<sup>42</sup> (Source: <http://www.unit4agresso.no/om-unit4agresso/nyheter/artikle/aid/4783>)

<sup>43</sup> It has a significant state ownership